Contents

Are the Distinctions between Debt and Equity Disappearing? An Overview / 1
Richard W. Kopcke and Eric S. Rosengren

The Changing Nature of Debt and Equity

A Financial Perspective / 12
Franklin Allen

Discussion / 39
Oliver D. Hart
Robert C. Merton

A Legal Perspective / 49
Charles P. Normandin

Discussion / 67
Richard T. Peters
Robert E. Scott

Why Debt and Equity Have Changed

Still Searching for Optimal Capital Structure / 80
Stewart C. Myers

Discussion / 96
O. Leonard Darling
Robert A. Taggart, Jr.

The Lender's View of Debt and Equity: The Case of Pension Funds / 106
Zvi Bodie

Discussion / 125
Peter L. Bernstein
Benjamin M. Friedman

Implications for Public Policy

Tax Policy and Corporate Borrowing / 136
Alan J. Auerbach

Discussion / 163
David F. Bradford
Emil M. Sunley

Regulation of Debt and Equity / 173
Richard W. Kopcke and Eric S. Rosengren

Discussion / 207
Ben S. Bernanke
Albert M. Wojnilower

About the Authors / 221

Participants / 226